



# THE ATLANTA ECONOMIC REVIEW

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A SPECIAL ISSUE

## TRANSPORTATION LIFEBLOOD OF AMERICAN INDUSTRY

*The inclusion in this issue of two articles of special interest to businessmen and economists concerned with the problems and growth of transportation is timed to coincide with the Biennial Seminar of the American Society of Traffic and Transportation, which is being held at Georgia State College on September 12-13.*

### TRANSPORTATION AND INDUSTRIAL DEVELOPMENT

by  
James H. Lemly\*

It is commonly accepted that industrial development cannot take place without effective means of transportation, but the American public may not know how extensive its future needs for transport will be. By the same token, it may not be apprized of the future development needs of transport companies, needs which must be met if the public is to continue to rely on privately owned transport companies and if it is to have the transportation necessary to support an expanded industrialization in this country. An inspection of some reliable estimates for the future of transportation in America may provide some idea of the magnitude of the task facing the transport industry.

### AN INCREASING ECONOMY DEMANDS INCREASING TRANSPORT

#### Freight Transportation

Students of transportation development have long known that the nation's transport facilities and activities have increased as the economy has expanded. Recently, Transportation Facts, Incorporated, a specialized agency dealing in transportation statistical information, produced evidence that for the past fifty years this country has used about 3½ to 4 ton-miles of intercity freight service for every dollar of national income generated. The importance of this relationship will be apparent immediately to students of the problem. The basic economic objective of the South is increased regional income; and it appears that as the na-

(Continued on page 8)

\*Dr. Lemly is Chairman of the Department of Transportation and Public Utilities, School of Business Administration of Georgia State College of Business Administration. This article is adapted from a speech delivered at a meeting of the Advisory Subcommittee to the Southern Governors' Conference Committee on Industrial Development in Atlanta, May 17-18, 1957.

### ARE YOUR INTRASTATE SHIPMENTS INTERSTATE COMMERCE?

by  
Kenneth U. Flood\*

Recently the highly regarded traffic department of a paper manufacturer woke up to the fact that the carload rate which it had been paying to a railroad for transporting its commodities was inapplicable. The manufacturer's products were being transported to a warehouse within the state in which the company was located. At the warehouse the goods were consolidated with other freight for pool-car movement to destination outside the state. The manufacturer had been paying the 10-cent per cwt. intrastate carload rate, but a 38-cent interstate rate was the legal rate which should have been applied. By law the carrier had a duty as well as a right to file an undercharge claim with the shipper for the difference in charges resulting from the application of these two rates on all shipments made in the past two years. Because a large movement was involved, the undercharge amounted to thousands of dollars.

The purpose of this article is to emphasize the fact that certain types of shipments between points within a single state are in reality interstate commerce. The example cited above tends to point out that although the distinction between interstate and intrastate commerce in the field of transportation is fundamental, it is often misunderstood.<sup>1</sup>

(Continued on page 2)

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1. One reason for the layman's confusion as to the distinction between interstate and intrastate commerce is that the concept of "interstate commerce" varies with its application to different areas such as labor, taxation, and transportation. For example, the following cases are identical situations involving the transportation of motion picture film. In *Film Transit v. Carson*, 287 S.W. 2d 47 (Tenn., 1956) it was held to be intrastate commerce for purposes of taxation while in *Wycott Company v. Public Service Commission of Utah*, 195 Fed. 2d 252 (1951) it was held to be interstate commerce for purposes of carrier regulation.

### INTRASTATE SHIPMENTS

(Continued from page 1)

The statutory definition of "interstate commerce" pertaining to transportation is contained in part II of the Interstate Commerce Act as follows:

Commerce between any place in a state and any place in another state or between places in the same state through another state, whether such commerce moves wholly by motor vehicle or partly by rail, express, or water.<sup>2</sup>

The wording of this definition, although quite clear, has caused a great deal of litigation before the courts and the Interstate Commerce Commission in the following two general situations:

a) A shipment which is sent from one place to another within a state on a separate bill of lading, the shipment having had a previous interstate movement, or the ultimate destination of the shipment being in another state;

b) An intrastate shipment for which there exists a choice of routes—a wholly intrastate route or an interstate route taking the shipment outside the boundaries of the state. The question to be answered in this second situation is, "Is it in fact an interstate shipment or are the goods carried across a state line and back only to circumvent state regulations?"

### WHY DISTINGUISH BETWEEN INTERSTATE AND INTRASTATE COMMERCE?

The correct determination of whether a particular shipment is interstate or intrastate is essential to both the shipper and the carrier for the following reasons:

a) To determine whether a carrier has the appropriate authority to handle the shipment. In the motor carrier field especially, carriers operating between points in a single state may have either interstate operating rights granted to them by the I. C. C. or intrastate operating authority granted to them by a state administrative agency. A shipment cannot be both interstate and intrastate and, therefore, the appropriate authority must be possessed by the motor carrier before it can lawfully handle the shipment. For example, a great many shipments now moving out of warehouses to points within the same state are interstate shipments, but through ignorance of the law they are being handled by carriers not having interstate operating authority.

b) To determine the legally applicable charges on the shipment. Even though a carrier may possess both interstate and intrastate authority to handle shipments between two points within one state, it will as a general rule be necessary for the carrier to maintain two levels of rates, one applying on interstate commerce and the other on intrastate commerce.

This situation prevails today where the I. C. C. has authorized the carriers to take general rate increases of six per cent or more. Although the

state commissions frequently approve the same percentage increase, some time elapses before they do so, thereby causing two levels of rates to exist. Also, interstate and intrastate rates on particular commodities shipped between points within a state may vary. For example, there may be an intrastate commodity rate published which is considerably lower than the applicable interstate class rate.

c) To determine the liability of the carrier. Although all common carriers are subject to common law liability, different statutory exemptions may apply to interstate and intrastate commerce. To illustrate, the I. C. C. must specifically approve all interstate rates based on released value. Assume the carrier publishes intrastate rates based on a 10-cent-per-pound valuation, the shipment in question is destroyed in transit, and the actual market value is 50 cents per pound. If it can be established that the shipment was interstate in nature and that the released value rates were not approved by the I. C. C., the carrier would be liable as at common law for the actual value of the goods.<sup>3</sup>

d) As a precaution against prosecution for violation of Section I of the Elkins Act.<sup>4</sup> This law makes it a criminal offense for the carrier to charge or for a shipper to accept less than the legally applicable rate or for failure to observe the

3. For a case in point, see *Hudson Handkerchief Mfg. Corp. v. Porto Rican Express Co.*, 27 N. Y. App. Div. 409 (1948).

4. 49 U. S. C. A. Sec. 41.

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2. Interstate Commerce Act, Sec. 203a(10), 49 U. S. C. A. 303a (10).

published tariffs. A case in point is *Powell v. United States*, which involved a shipment from Goldsboro, North Carolina, to Wilmington, North Carolina. The court in that case stated,

When the evidence is viewed in the light most favorable to the government, . . . the case is not one where the intrastate rate was innocently applied because of ignorance of the facts which would subject the shipment to the interstate rate. The carrier had notice of the facts which rendered the interstate rate applicable; and it is a fair inference that the intention was to charge the interstate rate applicable on the direct route rather than on the route taken by the shipment. In any event, the charging of a lower rate than the one properly applicable was wilful within the meaning of the statute in that it was the intentional doing of an act which the statute forbade. It is well settled that the use in the act of the word 'wilful' does not require that there be an evil intent to commit the offence, but that it is sufficient if the act was done knowingly.<sup>5</sup>

### Intent of the Shipper

As was stated previously, a shipment moving between two points within a state may be interstate commerce. In deciding whether such a movement is interstate commerce, "the essential character of the commerce" must be determined. The factor most often relied on in this determination is the fixed and persisting transportation intent of the shipper at time of shipment. This intent, as it applies in judging whether the shipment is truly intrastate rather than interstate, may be resolved by various criteria, the most important of which are:

(1) Whether at the time of shipment there is no specific order being filled for a specific quantity of a given product to be moved through to a specific destination outside the state.

(2) If the shipment is made to a terminal storage point within the state, whether this terminal point is itself a distribution point or local marketing facility from which specific amounts of the product are sold or allocated and shipped, and

(3) Whether transportation in the further distribution from this terminal is specifically arranged only after sale or allocation.

The conditions named above are believed to be basically sufficient to establish that the shipper's interest in the goods was limited to their transportation to another point within the state and his intent concerned no further movement of the goods, that the continuity of transportation was broken, the initial shipment had come to rest, and the original journey had ceased.<sup>6</sup> A shipment involving deviation from those criteria may assume aspects of and may be determined to be interstate commerce.

The application of this principle of "intent of the shipper" is generally not affected by the form of bill of lading used or by the fact that part of the movement may have been by private conveyance or the shipment may have had temporary

storage en route.<sup>7</sup>

One exception to the intent of the shipper principle occurs when the commodity undergoes a change in character, in which case this principle may or may not apply. Another exception to the principle that the intent of the shipper from time of movement determines the nature of the shipment occurs when an interstate shipment is reconstituted in transit. Both of these exceptions will be discussed subsequently.

The following types of situations frequently give rise to litigation on the question of whether the transportation is intrastate or interstate commerce.

(1) Temporary Storage and Pool-Car Distribution.

A recent I. C. C. case, involving a warehouse operator who also performed trucking service within a state, contained a simple statement of the law on this point. It was held,

Where goods are shipped to a warehouse in another state, and from there, distributed to customers of the shipper, sufficient interruption in the journey at the warehouse would break the continuity of the movement from the shipper to customer and the movement from the warehouse to destination would properly be viewed as a separate and distinct movement in intrastate commerce. From the facts here present, the joint board is of the opinion that no such interruption at the warehouse occurs tending to break the continuity of the movement from shipper to customer. After the goods are received by applicant at the warehouse, deliveries are made in quantities to consignees in accordance with invoices supplied by the shipper. Therefore, the goods are sold before they reach applicant's warehouse, and, as there is nothing to show otherwise, no additional unsold shipments are made by shipper and stored at applicant's warehouse from which sales are made from time to time. Hence, applicant's warehouse serves only as temporary storage to permit transfer from one form of transportation to another in the course of carrying out what is intended as a continuous movement from shipper to destination. Clearly the intent of the shipper is for a continuous movement.<sup>8</sup>

In contrast to the above is the situation where goods are shipped to another state to a warehouse for storage and future sale. It seems clear that the goods so transported have reached the end of their original journey when they arrive at the warehouse. The subsequent movement from the warehouse to points within the same state is a separate intrastate movement not subject to the provisions of the Interstate Commerce Act.<sup>9</sup>

(2) Part Private Carriage

The fact that the movement is partly by for-hire motor carriers and partly by private carriage does not change its interstate character.

In one I. C. C. case the for-hire transportation was performed from Shelby, Ohio, to another point in Ohio, where the shipments were turned over to the owner and transported by the latter to a point in Michigan. The intrastate for-hire movement was held to be interstate commerce.<sup>10</sup>

An extreme case still held to be interstate com-

5. *Powell v. United States*, 112 Fed. 2d 764, 767 (1940).

6. *Ex Parte MC-48*, Determination of Jurisdiction over Transportation of Petroleum and Petroleum Products by Motor Carriers Within a Single State—MCC—3-7-57. See also *Baltimore and O. S. W. R. Co. v. Seattle*, 260 U. S. 166, 174 (1922).

7. *United States v. Erie R. Co.*, 380 U. S. 98, 102 (1929).

8. *John F. Van Someron, et. al. Extension-Wisconsin*, No. M35117

(Sub. So. 9) reported in 12 Fed. Carrier Cases, sec. 33, 767 (1956).

9. *Dixie Truck Line Contract Carrier Application*, 29 MCC 303, 316 (1941).

10. *Roethlisberger Transfer Co. Extension of Operations—Frankenmuth, Mich.*, 32 MCC 709, 710 (1942).



merce involved the trucking of canned goods from points in California to the Mare Island Navy Yards, Alameda, California. The Mare Island Navy Yards act as a distribution point, and at times shipments are not immediately taken aboard a transport for distribution to other navy yards. In this instance, some of the individual boxes of canned goods were merely labeled "Navy Yard—Mare Island." In the usual case, however, each package was marked when it left the shipper's plant with the name and address of the navy yard where it was to be consumed, such as Puget Sound or Norfolk Navy Yard. Upon arrival of the truck at Mare Island, the goods frequently were taken immediately aboard a Government transport and carried by this vessel to other Navy yards. In this particular case, it appeared that a relatively small part of the goods so received was actually consumed at Mare Island. The I. C. C. held,

The motor-vehicle movements of canned fruits and vegetables from Hollister to San Francisco, Oakland, and Alameda for movement beyond by water to destinations in other states are clearly interstate in character and subject to regulation by us under part II of the act. Section 203(a) (10) does not expressly state that, in order to be so unified, both parts of the interstate movement must be performed by carriers operating for hire nor, in our opinion, is that interpretation required by necessary application.<sup>11</sup>

From the above discussion, it should be noted that the cases cited involve motor carriers. A different rule applies to railroads, partly because there is no definition of "interstate commerce" in part I of the Interstate Commerce Act. The railroad rule seems to be that the provisions of the Act do not apply to common carrier shipments wholly within one state, even though the shipments may be interstate in nature, where the goods have been brought into the State by an agency other than a common carrier.<sup>12</sup>

For example, in a U. S. Supreme Court case it was held that the transportation by rail of coal from Negley, Ohio, to Youngstown, Ohio, was an intrastate service not subject to the provisions of the Interstate Commerce Act. Its character in that regard was not changed because of preliminary carriage from the Pennsylvania mines in barges belonging to the shipper.<sup>13</sup> It is important to note that the Court expressly stated that the question in issue was not whether the movement was interstate in character but, rather, whether it was "that particular form of interstate commerce which Congress has subjected to regulation" under part I of the Act.<sup>14</sup>

### (3) Commingling of Interstate and Intrastate Shipments

If one shipment is consigned to two consignees, one within the state and the other outside the

state, the portion delivered within the state moves in intrastate commerce, and the other portion is considered interstate commerce. To illustrate this point, instructions were placed on the bill of lading that part of a truckload shipment of butter originating at Springfield, Missouri, be delivered at St. Louis, Missouri, and the balance delivered at East St. Louis, Illinois. The I. C. C. held that the portion of the shipment which was unloaded at St. Louis, Missouri, moved in intrastate commerce and was not subject to the provisions of the Interstate Commerce Act and that the interstate rate applied only on that part of the shipment which moved to East St. Louis.<sup>15</sup>

Where interstate and intrastate shipments are commingled so that each loses its identity, there seems to be some conflict as to whether the entire movement will be considered intrastate commerce. To point out this conflict, a 1929 U. S. Supreme Court case will be contrasted with a recent state Supreme Court case.

The U. S. Supreme Court case<sup>16</sup> involved a dispute as to the applicable freight on petroleum products from Tampa, Florida, to other points in Florida, the commodity having been transported to Tampa by tanker from Baton Rouge, Louisiana. The oil was pumped from the tank steamers into storage tanks at the port of Tampa. A tanker requires from one to three days to discharge its cargo into these storage tanks and, while this is being done, tank cars are being loaded from the same storage tanks for the purpose of supplying bulk stations and other customers.

At the time the shipment of the fuel oil was made from the point of origin, plaintiff could not say where any particular cargo would go after it had been pumped into the storage tanks, to whom it would go, or when it would be shipped. At the time of shipment from the point of origin, the only destination which could be given was the Florida port.

The court held:

We have no hesitation saying that the nature of the commerce in controversy in this case was intrastate and that the intrastate rate should have been applied. The reshipment of an interstate shipment does not necessarily establish a continuity of movement or prevent the shipment to a point within the same state from having an independent or intrastate character. There was no designation of any particular oil for any particular place within Florida beyond the storage tank.

In contrast with the above case is the following state Supreme Court case.<sup>17</sup> In this instance part of the oil involved originated in New Mexico and the remainder came from Texas fields, but all of the oil involved was commingled at Midland, Texas, and reshipped to other Texas points. The carrier assessed the interstate rate; the shipper contended that the lower intrastate rate was applicable.

11. Bisceglia Contract Carrier Application, 34 MCC 233, 236 (1943). See also Ex Parte MC-48, Determination of Jurisdiction Over Transportation of Petroleum and Petroleum Products by Motor Carriers Within a Single State—MCC—3-7-57.

12. Chicago, M. St. P. & P. R. Co. v. Campbell River Mills Co., 53 Fed. 2d 69, 72 (1931).

13. Pennsylvania R. Co. v. Public Utilities Commission of Ohio, 298 U. S. 170, 177 (1936).

14. Ibid. p. 177.

15. Armour & Co. v. Tri-State Motor Transport, 49 MCC 46, 51 (1949).

16. Atlantic Coast Line Railroad Co. v. Standard Oil Co., 275 U. S. 257 (1927).

17. Humble Oil & Refining Co. v. Texas & Pacific Ry. Co. 289 S. W. 2d 547 (Tex., 1955).

If shipped separately, the oil starting its journey in New Mexico would take interstate rates and the oil produced in Texas would take the intrastate rates. The difficulty arises from the fact that, by reason of the method of handling the flow of crude oil, the oil was commingled, and the oil in the specific carloads could not be tagged as interstate or intrastate or as a fixed percentage of one or the other.

The court held that the oil produced in and shipped from New Mexico should take an interstate rate, and the oil produced in Texas and shipped to other points in Texas should take an intrastate rate irrespective of its being commingled with other oil en route. In order to secure a refund, the shipper must prove the quantity of oil shipped in intrastate commerce. The determination of the number of carloads of intrastate and the number of carloads of interstate oil should not be difficult.

In both cases involving oil shipments the intent of the shipper at point of origin was not to ship a specific "lot" to a specific destination. In the **Standard Oil** case, the entire original movement was interstate, but it was held that the subsequent movement was intrastate because there was no specific intent on the part of the shipper. In the **Humble Oil** case only part of the original movement was interstate, yet it was held that the subsequent movement of the interstate oil was still interstate, even though there was no specific intent of the shipper to ship to a specific ultimate destination, and even though the shipment was commingled with intrastate commerce and lost its identity.

#### (4) Change in Character of Goods

If a commodity undergoes extensive changes en route as distinguished from packing and baling, its transportation will be considered intrastate commerce, even though there is a specific intent to ship in interstate commerce. The above is a statement of the general rule, although there are many cases to the contrary.<sup>18</sup>

An illustration of the above rule is a case in which a motor carrier hauled ore to a processing plant. The shipper knew that this ore would later be shipped by rail to a destination outside the state after undergoing substantial changes in physical characteristics and value. The I. C. C. held that this motor carrier's operation was intrastate in nature.<sup>19</sup>

One important and outstanding exception to the above rule occurs when the carrier has established transit privileges.<sup>20</sup> For example, where milling-in-transit privileges exist, grain coming into a state can be changed into flour and reshipped to a point within the state. This movement within the state will be considered interstate commerce and the interstate rate will be applicable.<sup>21</sup>

#### (5) Reconsigned Shipments

Where a shipment is consigned to an intrastate destination and later reconsigned to a point outside the state, the whole movement will be considered interstate commerce, even though the original intent was only to ship in intrastate commerce. In a representative case on this point, the court stated that the character of a shipment is determined not only by the intention of the parties handling a commodity, but by actual facts and methods of transportation. The shipper may intend that a given commodity be shipped only between points in the state. But if upon arrival the consignee reconsigns the shipment on the original bill of lading to another point outside the state, the character of the entire shipment is interstate.<sup>22</sup>

Conversely, if the shipper intends to ship in interstate commerce, but before the shipment leaves the state it is reconsigned to a point within the state, it is considered intrastate commerce.

#### Route of Movement

The definition of "interstate commerce" stated previously contains the provision "between places in the same state through another state."

The question that often arises under the statutory provision is whether a carrier's transportation of intrastate freight over an indirect interstate route is bona fide interstate commerce or merely a subterfuge to avoid state regulation. The solution of this problem depends upon the place of origin and destination and whether the routes are necessary and reasonable.<sup>23</sup>

As a general rule, a carrier can handle shipments between two points within a state by using a route which takes the shipment outside the state (i.e., interstate commerce) if he has been granted such authority by the Interstate Commerce Commission. The exception to the rule occurs when the carrier obviously is trying to circumvent state jurisdiction. For example, a shipment was held to be intrastate when it moved from Pittsburgh, Pennsylvania, to Washington, Pennsylvania, by way of Wheeling, West Virginia, a distance of ninety miles, while the direct route was only twenty-nine miles.<sup>24</sup> In another case the Supreme Court held a shipment to be intrastate when the carrier, hauling freight from St. Louis, Missouri, to Kansas City, Missouri, went a half mile beyond the state line to its terminal in Kansas City, Kansas, before going to Kansas City, Missouri.<sup>25</sup>

#### SUMMARY

In deciding whether separate intrastate movements are interstate commerce, a good rule of thumb to follow is that if the name of the purchaser and the ultimate destination are known to be in

(Continued on page 8)

22. *Texas & N. O. R. Co. v. Carter*, 134 S. W. 2d 440, 442 (Tex., 1939).

23. *Clark v. Public Service Com. of Maryland*, 120 Atl. 2d 363, 368 (Md., 1956). See also MC-30471, *Service Storage & Transfer Co.—Petition for Declaratory Order—MCC—3-29-57*.

24. *Ryan v. Penn. Public Service Commission*, 17 Atl. 2d 637 (Pa., 1941) cert. denied 314 U. S. 640.

25. *Eichholz v. P. S. C. of State of Mo.*, 306 U. S. 268, 274 (1939).

18. See 155 Amer. Law Reports 928, 946 (1945).

19. *Waldie Common Carrier Application*, 48 MCC 798, 800 (1948).

20. *Baltimore & O. R. Co. v. United States*, 24 Fed. Supp. 734 (1938).

21. *Interstate Commerce Commission v. Columbus & G. Ry. Co.*, 153 Fed. 2d 194, 195 (1946).



## JUNE 1957 ATLANTA AREA ECONOMIC INDICATORS

ITEM	June 1957	May 1957	% Change	June 1956	% Change	% Change Six Months '57 Over Six Month '56
<b>EMPLOYMENT</b>						
Job Insurance (Unemployment)						
Payments -----	\$360,329	\$428,614	-15.9	\$269,633	+33.6	+59.7
Job Insurance Claimants† -----	5,152	5,793	-11.1	4,269	+20.7	+38.3*
Total Non-Ag. Employment -----	341,150	341,850r	-0.2	339,300r	+0.5	+1.4*
Manufacturing Employment -----	86,700	87,500r	-0.9	89,050r	-0.4	+0.4*
Average Weekly Earnings,						
Factory Workers -----	\$74.80	\$71.92	+4.0	\$69.48r	+7.7	+6.1*
Average Weekly Hours,						
Factory Workers -----	40.0	39.3	+1.8	39.7r	+0.8	-0.5*
Number Help Wanted Ads -----	8,941	10,605	-15.7	9,538	-6.3	-2.6
<b>CONSTRUCTION</b>						
Number of Building Permits§ -----	661	707	-6.5	870	-24.0	-34.4
Value Building Permits§ -----	\$3,659,812	\$3,719,404	-1.6	\$6,418,756	-43.0	-13.3
Employees, Contract Construction	20,800	19,600r	+6.1	20,950	-0.7	-5.7*
<b>FINANCIAL</b>						
Bank Debits (Millions) -----	\$1,604.9	\$1,629.4	-1.5	\$1,489.5	+7.7	+5.4
Bank Deposits (Millions)						
(Last Wednesday) -----	\$1,100.4	\$1,074.2	+2.4	\$1,073.1	+2.5	+2.5**
<b>POSTAL§</b>						
Postal Receipts -----	\$1,388,155	\$1,365,525	+1.7	\$1,354,616	+2.5	+0.5
Poundage 2nd Class Mail -----	1,419,319	1,489,508	-4.7	1,325,266	+7.1	+2.3
<b>OTHER</b>						
Department Store Sales Index						
(Adjusted 1947-49=100) -----	148	160	-7.5	143	+3.5	+3.0†
Retail Food Price Index						
(1947-49=100) -----	113.7	112.4	+1.2	111.3	+2.2	+2.2**
Number of Telephones in Service --	297,337	297,337	+0.0	281,412	+5.7	+5.9**
Consumer Price Index -----	121.2	120.6m	+0.5	118.0	+2.7	

r—Revised

\*Average month

\*\*End of period

†—Based on retail dollar amounts

§City of Atlanta only.

m—March, 1957

N. A.—Not Available

†Claimants include both the unemployed and those with job attachments, but working short hours.

Sources: All data on employment, unemployment, hours, and earnings: Employment Security Agency, Georgia Department of Labor; Number Help Wanted Ads: Atlanta Newspapers, Inc.; Building permits data: Office of the Building Inspector, Atlanta, Georgia; Financial data: Board of Governors, Federal Reserve System; Postal data: Atlanta Post Office; Retail Food Price Index: U. S. Department of Labor; Department Store Sales Index: Federal Reserve Bank of Atlanta and Board of Governors, Federal Reserve System; Telephones in Service: Southern Bell Telephone and Telegraph Company.





## BUSINESS ACTIVITY IN JUNE

Business activity in June was little changed from May. Several segments continued to advance, while others lost ground. The same pattern has been evident all of this year, and the condition is as true of the national economy as it is of the Atlanta economy.

Total nonagricultural employment, after moving steadily upward since 1954, leveled off during the first six months of 1957, but remained encouragingly high. Employment, unemployment, wages, and hours are of great socioeconomic importance to any community, and the number of employed and unemployed is the best yardstick for measurement of the economic well-being of the people in a city at a given time. Atlanta's populace seems fortunate in respect to employment. In June, total nonagricultural employment was 341,150, and the level of unemployment was about 3.0 per cent of the total labor force of, roughly, 401,000. The latest population estimate for Metropolitan Atlanta (July 1956) is 850,800; thus, 40.1 per cent of the total population is engaged in nonagricultural employment. In 1950, when the last census was taken, Metropolitan Atlanta's population was reported as 671,797; total nonagricultural employment averaged 246,700, or 36.7 per cent of population, and unemployment averaged around 2.7 per cent for the year. Thus, not only are employment and population growing apace, but the growth in employment actually seems to be more rapid than the growth in population.

The number of job insurance claimants as well as the amount of job insurance payments dropped off in June. Both items, nevertheless, are running substantially ahead of year ago figures. Job insurance payments were up nearly 34 per cent over June 1956, and the number of claimants was nearly 21 per cent greater in June 1957 than in June 1956. The total of payments made in the first six months of 1957 was \$2,284,320 against a total of \$1,430,528 for the same period of 1956. The average number of claimants per month during the first half of

1957 was 5,454, while there was an average of 3,944 claimants per month in the same period of 1956.

The number of help wanted ads turned upward slightly, after seasonal adjustment, in both May and June. This was the first upward movement of the seasonally adjusted figures to last for two months since the two months rise in February and March of 1956. With these two exceptions and one or two small increases of one month over the previous, the series has fallen consistently since July of 1955.

The cost of living continued its upward spiral in Atlanta during the second quarter of 1957, reaching a point 2.7 per cent over the June 1956 level. The Department of Labor Consumer Price Index for Atlanta for June 1957 stood at 121.2 per cent of the 1947-49 level. The increase during the second quarter, however, was only 0.5 per cent. The most rapidly advancing component of the index during the quarter was food prices. The Retail Food Price Index for June was 113.7, up 1.2 per cent since May and up 1.7 per cent since March.

Construction continued to lag behind other segments of the economy. During the first six months of 1957, building permits numbering 4,234 were issued in Atlanta and their value was \$31,521,680. In 1956, during the same period, 5,449 permits were issued and the total value was \$32,151,231, which indicates a 22 per cent drop in the number of permits accompanied by a 2 per cent drop in valuation. The greatest decline has been in the construction of residential housing. The number of permits issued in the first half of 1957 was but 63 per cent of the first half year average established in 1954-1955, in comparison with all other types of permits which numbered 80 per cent of the average for the first six months of 1954-55. In the metropolitan area, however, according to a recent report, value of contracts for future construction let during the first four months of 1957 is running 16 per cent ahead of the same period of 1956. The same report showed that value of residential building was off 23 per cent for the period.

**INTRASTATE SHIPMENTS**

(Continued from page 5)

another state at the time the commodity leaves its origin, the shipment is interstate. This is the "intent of the shipper" principle.

There are three outstanding exceptions to this rule. The rule may not apply, first, if the commodity loses its identity by being commingled with intrastate commerce. Here the cases are in conflict as to whether or not the movement is interstate commerce. Another exception may occur if the commodity undergoes a manufacturing process. If there

is no transit privilege applicable, the movement within the state is considered intrastate commerce. And, thirdly, the rule may not apply if the intent of the shipper changes while the goods are in transit. For example, if an intrastate shipment is reconsigned to an interstate destination, the entire movement will be considered interstate commerce.

An intrastate shipment will be converted to interstate commerce if the route of movement takes the shipment outside the state. This rule does not apply if the movement is a mere subterfuge to evade the regulatory authority of the state.

**TRANSPORTATION AND INDUSTRIAL DEVELOPMENT**

(Continued from page 1)

tional or regional income grows, freight movement will have to grow alongside it.

The relation between the growth of intercity freight traffic and the growth of national income is shown in Table 1. It will be seen from the table that in 1900, in terms of 1955 dollars, the United States had a national income of slightly more than \$57 billion. In 1955 the national income level had reached about \$322 billion, almost six times that in 1900. Intercity freight movements by rail, truck,

water, pipelines, and airways had kept pace, increasing from almost 197 billion ton-miles in 1900 to more than 1,277 billion ton-miles in 1955. If national income in 1965 reaches close to, or over \$444 billion (which is a conservative estimate accepted by most if not all of our business forecasters), then the nation's transportation services presumably must expand to handle about 37 per cent more volume. Further analysis will show that the railroads, which often lacked equipment to move

**TABLE I**  
**GROWTH OF INTERCITY FREIGHT TRAFFIC**

**Related to Income, Population and Number of Households**  
**Selected Years, 1900 to 1955, and Projected to 1965**

<b>TON-MILES OF FREIGHT</b> (Billions)	<b>1900</b>	<b>1925</b>	<b>1940</b>	<b>1950</b>	<b>1955</b>	<b>1960e</b>	<b>1965e</b>
Railroads	141.6	417.4	375.4	591.6	631.3	710.0*	880.0*
Waterways	55.0	92.1	118.0	163.3	216.5	250.0	275.0
Pipelines	-----	25.9	59.3	129.2	203.2	240.0	310.0
Truckers	-----	16.2	62.0	172.9	226.2	285.0**	300.0**
Airfreight	-----	-----	-----	.3	.5	.6	.8
<b>TOTAL</b>	<b>196.6</b>	<b>551.6</b>	<b>614.7</b>	<b>1057.3</b>	<b>1277.7</b>	<b>1485.6</b>	<b>1765.8</b>
<b>MILLIONS HOUSEHOLDS</b>	<b>15.96</b>	<b>27.58</b>	<b>34.95</b>	<b>43.55</b>	<b>47.90</b>	<b>50.82</b>	<b>53.50</b>
<b>NATIONAL INCOME</b> (Billions of 1955 Dollars)	<b>\$ 57.3</b>	<b>\$110.5</b>	<b>\$150.8</b>	<b>\$267.3</b>	<b>\$322.3</b>	<b>\$376.0</b>	<b>\$444.0</b>
<b>TON-MILES FREIGHT PER</b> <b>HOUSEHOLD</b>							
Railroads	8,869	15,134	10,741	13,583	13,048	14,000	16,400
Others	3,446	4,866	6,847	10,692	13,914	15,200	16,600
<b>TOTAL</b>	<b>12,315</b>	<b>20,000</b>	<b>17,588</b>	<b>24,275</b>	<b>26,962</b>	<b>29,200</b>	<b>33,000</b>
<b>TOTAL TON-MILES PER DOL-</b> <b>LAR OF NATIONAL INCOME</b>	<b>3.43</b>	<b>4.99</b>	<b>4.08</b>	<b>3.96</b>	<b>4.00</b>	<b>3.95</b>	<b>3.98</b>

\* Includes Piggyback.

\*\* Excludes Piggyback.

e Estimated by TFI, CAA and others.

Sources: Department of Commerce, ICC, and others.

Note: This table prepared by Transportation Facts, Inc., for the Railway Progress Institute, 38 South Dearborn Street, Chicago 3, Ill.



**TABLE 2**  
**DISTRIBUTION OF FREIGHT TRAFFIC BY CARRIER**

Percent of Ton-Miles Moving							
	1900	1925	1940	1950	1955	1960e	1965e
Railroads	72.0%	75.7%	61.1%	56.0%	48.4%	47.8%	49.8%
Waterways	28.0	16.7	19.2	15.4	17.4	16.8	15.6
Pipelines	-----	4.7	9.6	12.2	15.2	16.2	17.6
Truckers	-----	2.9	10.1	16.4	19.0	19.2	17.0
Airfreight	-----	-----	-----	.0*	.0*	.0*	.0*
	100.0%	103.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Percent Increase over Previous Year Shown							
	1925	1940	1950	1955	1960e	1965e	
Railroads	194.8%	10.1% Dec.	57.6%	5.6%	13.6%	23.9%	
Waterways	67.5	28.1	38.4	37.8	11.1	11.0	
Pipelines	-----	129.0	117.9	52.1	22.1	29.2	
Truckers	-----	282.7	178.9	41.5	16.5	5.3	
Airfreight	-----	-----	-----	33.3	50.0	33.3	

\* Less than .05%. e—Estimated

Sources: Department of Commerce, ICC, and others.

Note: This table prepared by Transportation Facts, Inc., for the Railway Progress Institute, 38 South Dearborn Street, Chicago 3, Ill.

their 1955 volume of 625 billion ton-miles, will need additional facilities to handle 200-250 billion additional ton-miles, depending on the degree of further development and acceptance of piggyback hauling of freight.

The nation's truck fleet, which in 1955 numbered 9,700,000 units and moved approximately 244 billion ton-miles of freight, must increase to 14,000,000 units in order to handle from 56 to 106 billion additional ton-miles. The extent of growth in intercity trucking will depend to a great extent on the success or failure of piggyback to take trucks off the highways and put them on flatcars.

According to expectations, inland waterways must expand to handle about 22 per cent more tonnage in this ten-year period, and the pipelines are expected to show an increase from 196 billion ton-miles in 1955 to 310 billion by 1965. Freight movement by air is still very small in comparison to that of other haulers, but it is expected that air freight business will double in the next ten years. Table 2 shows the percentage distribution of freight traffic by carriers for selected years.

#### Passenger Transportation

The growth of freight tonnage, as it paralleled the development of national income, brought on severe growing pains, but these changes and troubles were minor compared to those of intercity passenger travel adjustments during the last fifty years. Where the nation had approximately a six-fold increase in freight activity from 1900 to 1955, passenger miles increased about twenty - nine times in the same period. While this explosive

growth cannot be expected to continue at that rate, one must anticipate that the passenger mile total for 1965 will increase by more than 50 per cent over 1955, with most of the gain being apparent in automobile movement. It is expected that there will be 67 million cars on the highways by 1965, an increase of almost 17 million units. Airlines will account for only a small fraction of the total passenger movement, but they will show the largest percentage gain by more than doubling their 1955 volume. The percentage distribution of intercity passenger travel by carriers is shown in Table 3.

#### DEVELOPMENT OF SPECIFIC TRANSPORT FACILITIES

Having sketched the nation's transport needs in the decade ahead, it is pertinent next to examine those areas of transportation activity which must be supported and strengthened in order to help both the region and the nation to achieve greater industrial development.

#### Motor Vehicle Operation

##### 1. Problems Connected with the Interstate Highway System

The problems of intercity motor vehicle operation are expected to be solved, at least temporarily, by the gigantic National Interstate Highway System. It is vital to the long-run success of this activity, however, that some controversial features of the program be kept virtually intact as they emerge from the planning state. The most important single feature of this system is "planned access" or "limitation of access." Some businessmen, taking a short-

sighted view, are attempting to defeat the planned-access feature. Railroads have always been built with turnouts and sidetracks. It is easy to see that no train could keep moving if all service activities used the main line, and it ought to be just as clear that a heavily traveled roadway must be kept as free of obstructions as is possible by means of limitation of entry, separation of traffic lanes, and elimination of obstructions by means of underpasses or bridges over other traffic.

To secure the potential benefits from this highway system, the South needs first to support the program as it is now planned and, secondly, to see that its member states get all the highway possible for the dollars spent. Diversion of funds, especially possible gouging on right of way acquisition, should be fought. Every unreasonable expenditure reduces the amount of new roadway to be expected from this program, and the area which gets the most for its dollars will be ahead in more ways than one.

Whereas in past years highways often were located adjacent to railroad lines, this should be avoided in the future. To meet present needs, the new interstate routes frequently should parallel the railroads, but at a distance of 300-1500 yards. Such a plan would create a large number of highly desirable industrial sites, served by both the rail line and the new highway. Locations of this type would be most attractive to large industries which

need both rail and highway service.

## 2. The Need to Bolster Common Carriers

Although the interstate system of highways will provide the rights of way for continued freight movement, it will not provide all the features necessary for dependable, low cost motor freight operation. It is important, according to most authorities, that a sound common carrier group be retained as a major component of the motor transport system. The common carrier, whether he operates trucks, trains, or some other type of equipment, is necessary to the general welfare of the business community in order to provide service for all citizens and shippers alike, both large and small.

Various policies might be adopted in order that the highway freight common carrier retain enough business to keep him economically healthy. Among the most important of these possible actions are:

a. A limit on the expansion of exempt hauling (as in the case of the so-called agricultural commodities).

b. An equalization of the transportation excise tax. Either this discriminatory tax, which does not apply to private carriers, should be repealed, or the private carriers should be required to carry the same tax burden.

c. The abolition of indiscriminate trip leasing of vehicles. Unrestricted leasing could lead to a breakdown of reasonable economic regulation and the collapse of the regular route common carriers.

TABLE 3  
DISTRIBUTION OF INTERCITY PASSENGER TRAVEL

	Percent of Total						
	1900	1925	1940	1950	1955	1960e	1965e
All Railroads	83.8	26.5	8.4	8.0	5.2	3.9	3.9
Waterways	15.7	1.0	.5	.3	.3	.2	.1
Intercity Buses	-----	2.9	3.6	5.3	3.5	3.0	2.6
Domestic Airlines	-----	-----	.4	1.9	3.6	4.6	4.8
Total, All Carriers	99.5	30.4	12.9	15.5	12.6	11.7	11.4
Private Automobiles	.5	69.6	87.1	84.5	87.4	88.3	88.6
TOTAL INTERCITY	100.0	100.0	100.0	100.0	100.0	100.0	100.0
	Percent Increase over Previous Year Shown						
		1925	1940	1950	1955	1960e	1965e
All Railroads		126.3	34.3D	33.6	10.4D	12.3D	20.0
Waterways		56.7	-----	7.7D	33.3	25.0D	16.7D
Intercity Buses		-----	155.0	108.8	10.8D	-----	5.3
Domestic Airlines		-----	-----	680.0	148.7	49.5	27.6
Total Carriers		118.4	12.5D	71.1	10.3	8.3	18.6
Private Automobiles		94900.0	158.7	37.2	40.8	17.9	22.1
TOTAL INTERCITY		614.7	106.7	41.6	36.1	16.7	21.7

D Decrease. e—Estimated

Sources: Department of Commerce, ICC, and others.

Note: This table prepared by Transportation Facts, Inc., for the Railway Progress Institute, 38 South Dearborn Street, Chicago 3, Ill.

The move toward consolidation of truck common carriers appears desirable from the standpoint of providing stability and efficiency of operation. Larger companies generally have better chances to borrow funds for expansion or modernization, as well as the ability to attract skilled specialists in any jobs where such services are needed.

A further aid to the highway common carrier would be the removal of unrealistic limitations on truck size and use by states which regulate truck weights and dimensions. Limitations such as these place artificial barriers in the path of commerce.

### 3. Intracity Transportation Problems

Urban and suburban motor transportation presents more difficult problems than does intercity travel. In the cities, traffic problems are being created faster than they are being solved. Deliberate efforts to relieve congestion in large city areas should be taken, else traffic snarls may cause deterioration in downtown sections of the older cities while new centers arise near by. Continued and strengthened activity aimed at massive resettlement and renewal seems to be indicated.

### Railroads

The rail industry is still the backbone of intercity freight movement and will remain in that position, at least for the short-run future. It is anticipated that the bigger and stronger rail lines will find ways to continue their modernization of facilities and operations and the upgrading of their personnel, and they should be so encouraged, even if this means going contrary to employee desires. This by no means is advocacy of widespread and hasty dismissal or transfer of large groups of employees. However, progress involves acceptance of the idea that no specific task is fixed as to method of accomplishment. Men need stable employment and substantial incomes, but industry must be constantly on the alert to the need for efficiency and high productivity per worker.

Those outside the railroad industry should be sympathetic to and cooperative with all reasonable measures for improving the earning positions of the better railroads, e.g., the discontinuance of unprofitable passenger train operations, which would reduce the rail passenger deficit. Industry in general is paying this bill now by getting poorer service or paying higher rates. If unprofitable rail passenger service is politically or socially necessary, then some method of government support should be devised to make up the deficit, as has been done throughout the life of the air transport industry.

Public bodies should support rail consolidations (as well as those of trucking companies) which make for more efficient operation. Care should be taken that neither trucking nor rail mergers are carried out solely for the benefit of isolated or selfish stockholder groups, but that such combinations provide bona fide improvements in operating

conditions. This of course will provide for lower service and will be in line with the legitimate interests of securities owners, as is entirely proper.

One of the most discussed and promising of rail developments in recent years is piggyback freight. This is a wise attempt to combine the advantages of door-to-door operation by truck with the over-the-road efficiency of the railroad. In manufacturing this would be classed as vertical integration, which is one of the prime methods of reducing costs in many instances. During the last few months new and apparently superior methods of achieving this type of operation have been developed. Activity of this kind should be encouraged as much as possible, along with all other promising attempts to provide better service at lower unit cost.

### Water Transportation

Improvement of water transportation facilities has long been and should continue to be a major goal of the South. Generally the development of river systems has waited upon Federal action, but recently states have shown interest in doing the job themselves. For example, it has been reported that Alabama and Mississippi are contemplating development of the Tombigbee-Warrior River system independently of the Federal government if that is necessary.

A regional authority not owned or directed by the Federal government might be created to carry out desirable projects of this type. Complicating factors which will hold back progress in this connection are easily recognized. One of these factors is that as long as Federal ("pork-barrel") funds are available for river and harbor projects in one area, they will be demanded in others. Another complication is that such projects would have to be self-sustaining on a long-run basis, or one group would be taxed for the special benefit of another. Unless the activity provided definite economic advantages to the entire region served, there would be no general gain by taxing all citizens to assist one special group.

### Pipelines

Development of new liquid petroleum pipelines cannot be expected to have a large effect on industrial activity in the South unless the lines are to move products refined in the South to new markets. However, gasoline or fuel oil lines built into the South could and should provide lower cost service in some areas, which would mean additional purchasing power for consumers generally, thereby being an indirect stimulant to local industry. A more direct way in which pipelines could benefit industrial activity is in providing new fuels for industrial use, e.g., natural gas pipelines built into Florida to supply fuels to electric generating stations and other heavy industry. Another possibility of providing fuel to deficit areas such as South Georgia, Florida, or Mississippi might be the sludge



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coal pipeline. If such developments were to prove feasible, then important industrial changes would likely occur in those regions.

#### Airlines

Airlines provide important support to industrial activity by fast and efficient movement of people and, to a lesser degree, freight of a high priority nature. This type of service will continue to expand and increase in importance. Policies to assist in providing airways and safety controls should be strengthened in the years ahead. At the present time the major carriers appear strong enough both managerially and financially to carry on the big assignment of doubling their activity during the next ten years. The helicopter may emerge as a major factor in metropolitan passenger and express movement, but it doesn't seem to offer great hopes for radical expansion in the immediate future.

#### Ocean Transport

Coastwise and intercoastal water movement suffered an almost complete collapse during World War II and has by no means recovered its former state of importance. The most promising possibility in this industry seems to be that called "fishyback," or the movement by boat of freight loaded sometimes in rail cars but more importantly in highway trailer units. Such movement offers hopes of providing a major service at rates which are competitive. This activity should be encouraged in an

effort to provide what in reality will be a new and potentially valuable addition to the transportation pattern.

#### CONCLUSION

Having pointed out the great increase in the volume of business that transportation firms may expect in the next decade and having identified certain leading problems they face, it is essential now to recognize that the industry cannot meet the task ahead unless it is allowed to achieve a strong financial position. On the one hand, the need for low rates for transportation movement is apparent to all; on the other, however, it is just as apparent that a weak industry or company often doesn't do the best production job for lack of tools to do the work assigned. An industry which cannot secure funds to improve and modernize its productive facilities is in serious danger of extinction. However, the transportation function is essential, and some group must do the job. This points toward government operation because private individuals cannot provide all the transport service which is necessary, particularly in the case of heavy or bulky shipments. A wiser policy appears to be to let the industry secure necessary funds through rate adjustment so that it can get the tools needed for the years ahead. Then the public can demand the highest quality service at the lowest rates commensurate with that service.